



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 05-0294699

THE APPLICATION OF O'BENCO, INC. TO CONSOLIDATE VARIOUS RODESSA FIELDS AND DESIGNATE A COMBINED INTERVAL AND ADOPT PERMANENT FIELD RULES FOR THE CARROLL SPRINGS (RODESSA) FIELD, HENDERSON COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Marshall F. Enquist – Legal Examiner

HEARING DATE: February 9, 2015
RECORD CLOSED: February 13, 2015
SUBMISSION DATE: August 12, 2015
CONFERENCE DATE: August 25, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Olga Kobzar
Keith Masters, P.E.

O'Benco, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The captioned docket is unopposed, and O'Benco, Inc. ("OB") was the only party at the hearing held on February 9, 2015. OB seeks to consolidate the following fields into the Carroll Springs (Rodessa) Field (Field No. 15954 625) (collectively "Consolidated Field"):

<u>Field Name</u>	<u>Field No.</u>
• Genevieve McGee (Rodessa) Field	34399 400
• Kris Perryman (Rodessa) Field	50297 500

OB further requests that the Carroll Field's existing field rules be amended to adopt the following special field rules:

1. A designated correlative interval that defines the Consolidated Field from 9,714 feet to 10,003 feet, as shown on the log of the Texaco, Inc. – J.J. Stevens Lease, Well No. 1

(API No. 42-213-30304), Williamson V. Hall Survey (A-285), Henderson County, Texas;

2. 330' lease line spacing with no minimum between well spacing requirement; take points; 100' first and last take points; off-lease penetration points; Non Perf Zones ("NPZs") and a 50' box rule;
3. 160-acre proration units with optional 20-acre proration units;
4. Stacked lateral wells.

At the hearing, the Examiners requested that OB submit additional information with regard to its request for 330' lease line spacing. On February 13, 2015, OB submitted late-filed exhibit no. 19, as well as a multi-page argument further supporting its position.

The subject application is unopposed and the Examiners recommend that it be approved, as requested by OB.

DISCUSSION OF THE EVIDENCE

Mr. Keith Masters, a consulting professional engineer at Masters Consulting, testified as an expert in petroleum engineering on behalf of OB in the captioned docket.

Field History

The Carroll Springs (Rodessa) Field ("Carroll Field") was discovered (*i.e.*, designated as a Commission-regulated field) in July 1984, and is classified as an oil field. The Carroll Field's cumulative production through January 2015 is roughly 214,000 barrels of oil. All wells completed in the Carroll Field are governed by Statewide Rules. As of February 1, 2015, there are three operators and eight oil wells in the Carroll Field.¹

The Genevieve McGee (Rodessa) Field ("Genevieve Field") was discovered in August 1991, and is also classified as an oil field. The Genevieve Field's cumulative production through January 2015 is roughly 220,000 barrels of oil. The Genevieve Field is governed by Statewide Rules. As of February 1, 2015, three operators and three oil wells make up the Genevieve Field.

The Kris Perryman (Rodessa) Field ("Kris Field") was discovered in September 2007, and is also classified as an oil field. The Kris Field's cumulative production through January 2015 is roughly 79,397 barrels of oil. All wells completed in the Kris Field are governed by Statewide Rules. As of February 1, 2015, OB is the only operator in the Kris Field with four oil wells.

¹ OB Exh. No. 1.

OB contends that its requested relief will provide for more efficient development of the remaining recoverable reserves in the Consolidated Field through horizontal well development.

OB seeks to define the Consolidated Field from 9,714 feet to 10,003 feet, as shown on the log of the Texaco, Inc. – J.J. Stevens Lease, Well No. 1 (API No. 42-213-30304), Williamson V. Hall Survey (A-285), Henderson County, Texas. OB submitted petrophysical evidence that indicates the geologic formations comprising the Consolidated Field are continuous throughout the geographical expanse of the Carroll, Genevieve, and Kris Fields. Mr. Masters testified that OB seeks to consolidate the subject fields into a single Commission-regulated field because developing each field individually is not economic. As a result, combining the subject fields into the Consolidated Field will increase recovery and prevent waste.

OB seeks to adopt 330' lease line spacing and 0' between well spacing. OB also requests special rules that include 100' first and last take points, off-lease penetration points, NPZ's, and a 50' box rule. In addition, OB requests to adopt 160-acre proration units and 20-acre optional proration units. Mr. Masters testified that there is a significant variation in the acreage that individual wells in the Consolidated Field are capable of draining, with drainage areas ranging from 2.3-acres to 326-acres.¹ He testified that adopting 330' lease line spacing will adequately protect correlative rights and prevent waste, and that reserves will go unrecovered without 20-acre optional proration units in the Consolidated Field.

Finally, OB requests to adopt a provision that provides for stacked lateral wells. Mr. Masters testified that the allowance of stacked lateral wells will provide operators the opportunity to drill and complete numerous horizontal wells within the Consolidated Field's correlative interval and treat them as one regulatory-well. He also testified that stacked lateral provisions are commonly adopted in fields such as the Consolidated Field, where numerous pay intervals make-up the Commission-regulated field. Furthermore, adoption of OB's proposed field rules will prevent waste and protect correlative rights. OB submitted evidence that indicates similar rules have been adopted by the Commission in other fields, compared to its proposed rules in the immediate case.²

The Examiners note that the recommendation made for the subject application is consistent with the Commissioners' decision made for Oil & Gas Docket Nos. 06-0290629 & 06-0260630 – Applications of BP America Production Company to Amend Field rules for the Blocker (Cotton Valley) Field and the Ware (Cotton Valley) Field, Harrison County Texas, respectively.

FINDINGS OF FACT

1. O'Benco, Inc. ("OB") seeks to consolidate the Genevieve McGee (Rodessa) Field ("Genevieve Field") and the Kris Perryman (Rodessa) Field ("Kris Field") into the Carroll Springs (Rodessa) Field ("Carroll Field") (collectively "Consolidated Carroll

¹ OB Exh. No. 11.

² See OB correspondence dated February 13, 2015. OB cites five other Commission-designated fields as having similar field rules to those proposed for the Consolidated Field.

Field”), and to adopt special field rules for the Consolidated Field (“Subject Application”).

2. All operators in the Kris, Genevieve, and Carroll Fields were provided notice of the Subject Application.
3. The Subject Application is unprotested.
4. The Carroll Field was discovered in July 1984 and is classified as an oil field.
 - a. The Carroll Field’s cumulative production through January 2015 is roughly 214,000 barrels of oil.
 - b. All wells completed in the Carroll Field are governed by statewide rules. As of February 1, 2015, there are three operators and eight oil wells in the Carroll Field.
5. The Genevieve Field was discovered in August 1991 and is also classified as an oil field.
 - a. The Genevieve Field’s cumulative production through January 2015 is roughly 220,000 barrels of oil.
 - b. The Genevieve Field is governed by statewide rules. As of February 1, 2015, three operators and three oil wells make up the Genevieve Field.
6. The Kris Field was discovered in September 2007 and is also classified as an oil field.
 - a. The Kris Field’s cumulative production through January 2015 is roughly 79,397 barrels of oil.
 - b. All wells completed in the Kris Field are governed by statewide rules. As of February 1, 2015, OB is the only operator in the Kris Field with four oil wells.
7. OB seeks to adopt the following special field rules for the Consolidated Carroll Field:
 - a. A designated correlative interval that defines the Consolidated Field from 9,714 feet to 10,003 feet, as shown on the log of the Texaco, Inc. – J.J. Stevens Lease, Well No. 1 (API No. 42-213-30304), Williamson V. Hall Survey (A-285), Henderson County, Texas;
 - b. 330’ lease line spacing with no minimum between well spacing requirement; take points; 100’ first and last take points; off-lease penetration points; Non Perf Zones (“NPZs”) and a box rule.
 - c. 160-acre proration units with optional 20-acre proration units.
 - d. Stacked lateral wells.

8. The Consolidated Carroll Field is continuous.
9. Consolidating the Genevieve and Kris Fields into the Carroll Field will prevent waste.
10. Adopting special field rules for the Consolidated Carroll Field, as proposed by OB, is consistent with other Commission-designated fields.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas – Tex. Nat. Res. Code §81.051.
2. Legally sufficient notice has been provided to all affected persons.
3. Consolidating the Genevieve McGee (Rodessa) Field and the Kris Perryman (Rodessa) Field into the Carroll Springs (Rodessa) Field, and adopting special field rules for the Carroll Springs (Rodessa) Field will prevent waste and protect correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the proposed field consolidation of the Feldman Genevieve and Kris Fields into the Carroll Field be approved. Furthermore, it is recommended that the special field rules for the Carroll Field be adopted, as proposed by OB.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Marshall F. Enquist
Legal Examiner